

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 811 - SB 2016**

March 21, 2011

**SUMMARY OF BILL:** Defines “Tennessee bidder” for the purposes of preference allowances given on public construction project bids. Directs that when the lowest responsible and responsive bidder on a public construction project in Tennessee is a resident of a state contiguous to Tennessee, and that state allows a preference to its resident contractors that is greater than the preference allowed to a Tennessee business, a like reciprocal preference will be given to the Tennessee business with the lowest responsible and responsive bidder on the bid. Creates specific preference allowances based upon the contract award amount. Prohibits the preference allowance from exceeding 10 percent of the lowest bid meeting the contract specifications.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - Exceeds \$600,000**

Assumptions:

- According to the Department of General Services, out-of-state businesses were awarded \$870,731 in public construction project contracts in FY09-10. The 10 percent preference allowance will be applied, resulting in a recurring increase in state expenditures of \$87,073 ( $\$870,731 \times 10\%$ ).
- According to the Department of Finance and Administration (DOFA), the potential preference allowances for proposed capital projects for FY11-12 total \$26,146,172. DOFA estimates that two percent of the projects are eligible for a preference allowance. Therefore, the estimated recurring increase in state expenditures is \$522,923 ( $\$26,146,172 \times 2\%$ ).
- Most state departments and agencies will have contracts eligible for a preference allowance. As a result, the recurring increase in state expenditures is estimated to exceed \$600,000.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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